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THE DANGERS AHEAD

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Address of D. P. Trent, Assistant Director of Commodities Division, Agricultural Adjustment Administration, before Oklahoma Cotton Growers' Cooperative Association at Oklahoma City, Monday, May 28, 1934 at 2 P. M., CST.

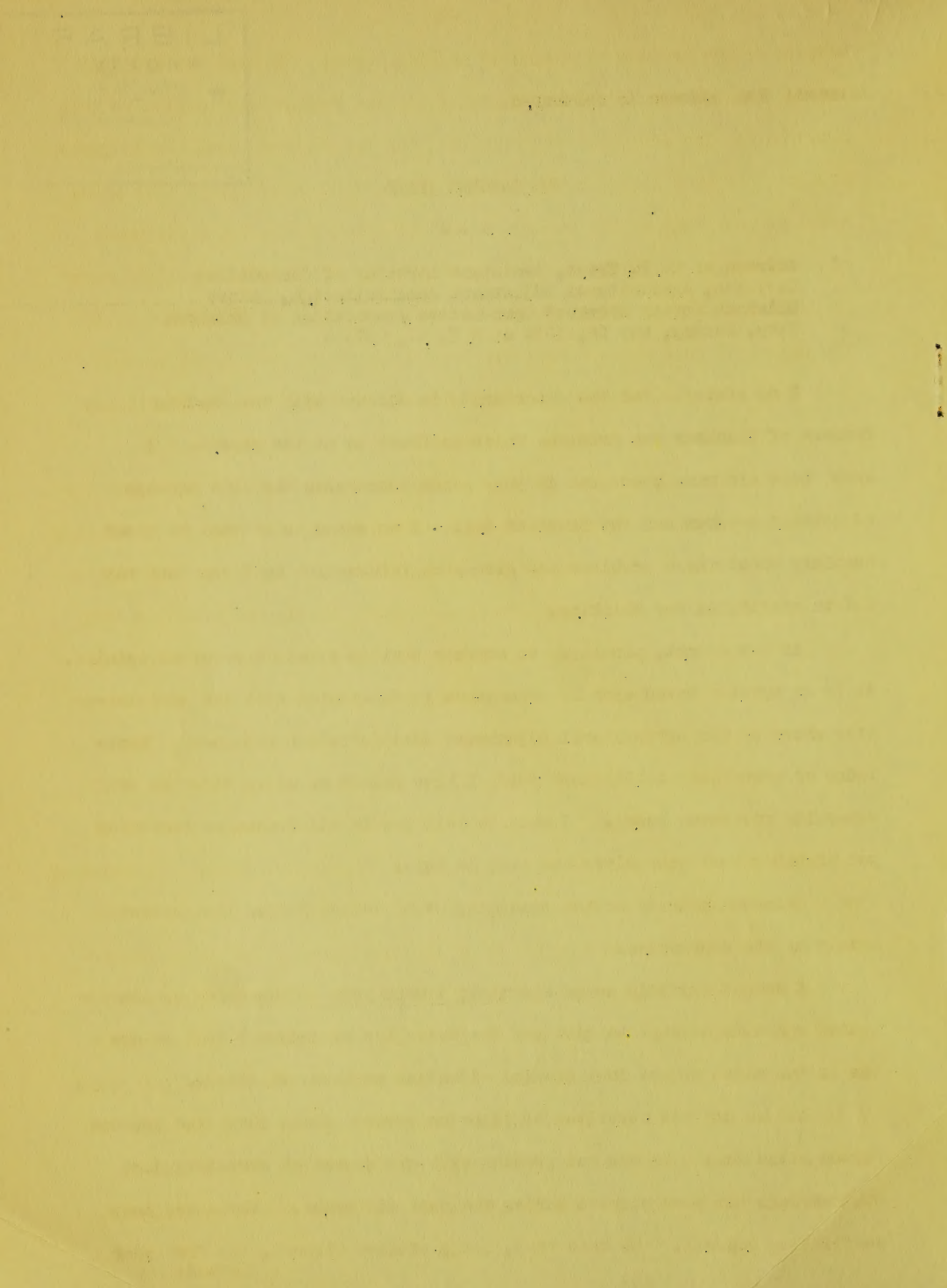
I am grateful for the opportunity to discuss with the leading farmers of Oklahoma the problems which confront us at the moment. I know there are many questions in your minds concerning the 1934 acreage adjustment program and the Bankhead Act. I am going to attempt to speak candidly about these problems and give such information as I can that may aid in clarifying our thinking.

At the outset, permit me to express what is purely a personal opinion. It is an opinion based upon my experience in Washington with the Administrative group of the Agricultural Adjustment Administration and upon my knowledge of conditions in Oklahoma which I have gained as state director of extension for seven years. I want to tell you in all frankness something you probably feel yourselves and that is this:

Oklahoma and the cotton producing South is now facing the gravest crisis of the depression.

I do not say this as an alarmist; I make this statement as my sincere belief and will attempt to give you the basis for my judgment that we are now in the midst of the most crucial situation we have yet faced.

Let us not kid ourselves by ignoring obvious facts about the present cotton situation. No one can predict with any degree of certainty just what acreage has been planted during the past six weeks. There are many conflicting reports. We know that, using rounded figures, the five year



average cotton acreage is around 40 million acres. We know further that through the acreage adjustment campaign, cotton farmers have agreed to keep about 15 million acres out of production for the current year. This gives us a base of 25 million acres we know will be planted to cotton this year. Added to that will be the acreage of the non-signers and the development of new acreage, attracted by the improvement in cotton prices brought about by Governmental action last year. I would not hazard a prediction as to the amount of this new acreage; but I will say that I have heard reports that the total planted acreage ranges from 28 million acres to 35 million acres. Probably the truth is somewhere between these two.

The Bankhead Act, as you know, seeks to supplement for this year the adjustment program in an effort to hold cotton production down to 10 million bales. It will be administered by the Agricultural Adjustment Administration and the Bureau of Internal Revenue. State allotments have been made and it is expected that county allotments will soon be ready to announce.

I do not believe there is a cotton farmer anywhere that will deny the desirability of holding the coming crop to 10 million bales. The supply situation is such that a 10 million bale crop is all that the world can use at a decent price. So we can admit our first premise that it is desirable to produce only 10 million bales of cotton this year. Differences of opinion arise when we discuss the method. Even though I, as a cotton farmer, admit that the limitation to 10 million bales is desirable for the coming year, I probably would not be satisfied with either my allotment under the Bankhead Act or the way in which the adjustment program affects me as an individual. Through the cotton program, the Government has found a way to identify the interests of the individual grower with those of the group, and now compensates the individual grower for his cooperation in controlling production for the interests of the whole cotton agriculture.

But sometimes we forget this great new instrument of cooperation and revert to the age-old habit of thought which accepted as inevitable a ruthless scramble for individual profit at the expense of group disaster. For many years in this country, industry has maintained increasing control over production so as to avert price destruction. Now for the first time, the difficult work of extending this control to agriculture, is being attempted. Its initial success last summer in the cotton plow-up should not let us forget that the six-cent cotton of March, 1933, was a condition that befell us only 15 months ago.

In my judgment, the greatest danger to the cotton program and to the entire South is the human selfishness of individuals who want the other fellow to make the sacrifices and also the multitude of petty irritations that are inevitable in the administration of a Governmental effort so complex and vast. It may be that because there are no short-cuts across human nature and because individuals are tremendously annoyed by necessary inspections, contract adjustments and other integral parts of the program, we cannot succeed. That would be a genuine calamity because, as we have admitted, the premise upon which this program is based, namely 10 million bales of cotton for 1934, is sound and desirable.

Yet anyone who has followed the trends of price and production of cotton must recognize that adjustments of production are inevitable. It is simply a selection of alternatives. Do the cotton farmers of Oklahoma and the South want these adjustments made by the natural operation of the "law of supply and demand" about which we hear so much? I have every confidence in the inexorable operation of this fundamental economic law. Cotton production will be adjusted. We will have smaller total production inevitably when a surplus piles up so high as to depress the price. Or shall we select an orderly method of restricting our surpluses, act together in a coordinated enterprise and with Governmental assistance, develop a sound economic way that will eliminate most of the misery that accompanies a

"natural" adjustment of production? It is these alternative methods I desire to discuss with you today.

Let us first consider the alternative of permitting "natural" forces to adjust our cotton production. In other words, what would happen if suddenly the Government withdrew and let the cotton farmers fight it out in a blind competitive struggle for existence. It is interesting, and at the same time depressing, to visualize the consequences. There is no question that our cotton production would be adjusted. If not this year, certainly the next. A casual survey of past trends is ample proof that adjustments in production are inevitable. The attractive price in one year, stimulates production the following year and that over-production depresses price. The year following, credit is restricted and a smaller crop is produced. Sometimes, but rarely, it may take a year longer for the cycle to complete itself. But an examination of trends of cotton production and prices reveals a periodic expansion in production, followed by a decline in price and then a restriction in production. You recall in 1923, the effects of boll weevil and two previous short crops, boosted prices to above 30 cents. Acreage was expanded, a 13 million bale crop followed in 1924 and prices were maintained at the relatively high level of 22 cents. Prices were still attractive in 1925 so cotton farmers planted 48 million acres in 1926 and got a 17 million bale crop. Prices then dropped to 10 cents. The following year, 1927, acreage was reduced by seven million acres and the crop to below 13 million bales. Prices responded accordingly and rose to 19 cents.

This is what might be called the "crap-shooting" method of producing cotton. Everybody takes a chance on the market, the weather, the boll-weevil and what his neighbors will do. I happen to think that this method is vicious and uncivilized. The drastic fluctuations in the price and production of cotton have thrown thousands, yes millions, of people off the farm and has created deplorable social conditions generally throughout the cotton belt. Of course, there is nothing that can be done about weather

conditions and some of the factors that control cotton production. A rather effective culture for combatting insect pests has been developed, though much remains to be done in determining a scientific method of complete eradication or control of the pests. Yet over a period of a relatively small number of years, it is man and not nature, acreage and not weather, that determine the cotton production. So we are approaching this attempt at approximate control through acreage, supplemented by the statute enacted by the Federal Congress to tax excess production.

I cannot think that the cotton farmers of Oklahoma and the South are ready to surrender these methods of control, and let the blind and cruel forces of unequal competition adjust cotton production. To relax the Federal controls of cotton production and let farmers again go it alone would be too costly. Too many human values would be sacrificed and I do not believe that it is exaggeration to say that the real danger to our cherished institutions would then assert itself.

We have heard a great deal about "regimentation" under the Bankhead Act and the other devices which the New Deal has brought forth in an effort to stay the vicious processes of deflation. To permit cotton farmers to return hellbent into production of cotton would bring about a more cruel and inhuman "regimentation" of farmers and their families than all of the legislation and programs thus far devised. The shoddiest form of regimentation existed when cotton was five cents per pound. Farmers were dispossessed by the tens of thousands in the South, thrown on to public relief or the generosity of private charity; or roamed over the country, huddling into disreputable shacks or living along river banks in shelters made of discarded packing boxes. The pitiful plight of these people, waiting for a handout or sending their children to prowl and obtain decayed food from trash cans is the most hideous form of "regimentation" that ever existed.

And none here will deny that it did and does exist. It exists in Oklahoma City and I daresay if one would take the time to investigate, he could find among the hopeless casualties of our economic system of "let-nature-do-it" many victims of fluctuating cotton prices.

I do not believe I have overdrawn the picture. I am certain that you will agree with me that an adjustment of cotton production is inevitable; that the pressure of low prices caused by over-production will eventually reduce production. One Republican newspaper in New York, outspoken opponent of the entire New Deal, recently stated its frank preference for this laissez-fair method of elimination of overproduction by repeating the time-worn dogma that "the best remedy for five-cent cotton is five-cent cotton." I feel that you will further agree that the Government does not discharge its moral responsibility to the millions of cotton farmers if it does not at least make an honest and intensive attempt to prevent such a painful readjustment. The attempt is now being made to bring stability to cotton production. The success of that attempt will be determined by the farmers themselves. We have said that all along and it is still true. You men here, the leading farmers of your community, are largely responsible for what Oklahoma does. You may not be able to prevent the new producer from coming in; you may not be able to prevent some individual in your community from over-planting and chiseling on his contract with the Government; but you can aid in the development of a morality and spirit in your respective communities that will make or break this program.

Let us consider briefly the startling contrast between the old method of adjusting cotton production and the one which the Government is now attempting with the aid of cotton farmers.

I do not pretend for a moment that we have the perfect solution. I am not at all dogmatic about the entire plan. I believe we have a desirable

objective and that the mechanism set up to reach that objective will be made only as effective as the farmers themselves make it. We know that a grave social and economic disaster was prevented last summer by the emergency campaign. This was done because we happen to have an Administration that has the courage to look the facts squarely in the face and to act promptly. Everybody in the South - with the exception of a few self-seeking interests and individuals - applauded the results of the emergency campaign. It was an exciting, vivid thing. A spirit was developed that looked as though the cotton farmers of the South could act together for the common good. But now the first rapid charge uphill is over. In a more sober, painstaking effort we are seeking to continue what all will concede is a necessary adjustment of cotton production. The emergency is still with us. It is just as acute. But it is apparent that it is more difficult to solve because of the fact that the majority of cotton producers are now in a better economic position. Failure to recognize the gravity of the present emergency and to act accordingly, can only lead us into fresh disasters that, if they should come, might be even more devastating than the frightful experience through which we apparently are beginning to emerge.

This effort at adjustment offers so much greater opportunities for economic security and well-being than the old way of letting things take care of themselves, that I hesitate to more than call your attention to the difference. The cotton farmers of the State of Oklahoma will receive between now and the end of the cotton producing season nearly 10 million dollars in rental and benefit payments. In passing, I may say that but few of these payments have gone out. Oklahoma had a peculiarly difficult problem during the adjustment campaign because of a large number of new producers. Even though these producers did sign the reduction contracts, their tendency is to increase the state total unduly. I am advised by

the cotton section that most of the adjustments have been completed and that contracts now are being received in Washington in such form as to be promptly approved and paid. It was a source of disappointment to all of us that the disbursement of the first installment of the rental payments was delayed by the necessity of making adjustments in the contracts. When these adjustments are completed, we feel confident that the benefit and rental payments will move out rapidly and without further negotiation with individual producers.

These funds represent more to the cotton producers of Oklahoma, in my judgment, than their dollar value. You will have money to pay off production credit loans, if you have such loans outstanding, and in addition funds will be available to finance the picking and marketing of the crop this fall. In addition, if the program operates successfully in restricting production, a more favorable price will result from the remainder of the crop. But more than the immediate financial return from the adjustment program, its success should be measured by the way in which stability is obtained in the production and marketing of cotton. This stability will mean security for the farm family and an opportunity to develop a sound farm program on the individual unit, free from the gnawing fear that a sudden decline in the price of cotton will cause the loss of the results of years of patient toil and thrift.

I have been told that Oklahoma is the "hot-spot" on the Bankhead Act. I know that you all are disappointed because of the loss of what appeared a temporary advantage in the use of a 10-year base in determining Oklahoma's allotment under the Act. Being an Oklahoman, I share that sense of disappointment. But I urge upon all of you and each of you not to permit the loss of 75,000 bales of cotton to prevent you from cooperating with the other cotton growing states in securing the greatest possible benefits

from the act for the cotton south. The Bankhead Act may, as many have asserted, deprive some few individuals of so-called "personal liberty" by preventing him from selling tax-free all of the cotton he produces; but between this so-called "personal liberty" of a few individuals and the economic freedom of the two million cotton farmers, I can find no hesitancy in making a choice. And let me say that there is now in process either a deliberate or a strangely accidental concert of agitation to lead the cotton farmer and other farmers back into the days of blind, unfettered competition where each man was engaged in a struggle to farm his neighbor out of business and only the farmer with financial reserves or supreme endurance could survive. I believe that the Bankhead Act taken together with the voluntary adjustment program offers an opportunity for an improved standard of living for all cotton farmers. Those who chafe at the restraints of the adjustment program should consider carefully before they sacrifice the opportunity that has been gained for a sound, Southwide cotton program.

Private crop reporting agencies predict that Oklahoma may produce a half million bales in excess of its allotment under the Bankhead Act. I find it difficult to believe that to be the case. If that does happen in Oklahoma, over-production will take place in other areas in varying degrees. Then will the gravest crisis the South has faced for many years emerge. With the proper attitude upon the part of the farm leaders of Oklahoma and the individual farmers in their respective communities, the opportunity we have to continue to work together toward a common goal can be preserved. Already, as I have said, there is evidence that many cotton farmers, with their recently won economic improvement, are becoming impatient and irritated by such things as necessary adjustments in a million contracts and verification for compliance purposes. I regret that this is the case and it may be that an accumulation of resentments and an-

noyances will be sufficient to accomplish the purposes of those who would like to see cotton production return to the days of blind competition, with every man for himself, the devil taking the hindmost and those who profit on volume taking their toll pound by pound. I hope not. I feel that at this hour there is as great a need for identifying personal advantage and individual self-interest with the common good as there has ever been.

The Bankhead Act has already served a useful purpose. Its salutary effect has been to prevent many cotton producers who signed contracts from withdrawing their contracts. These farmers have become irritated by the adjustments that have had to be made in their contracts to be fair to the majority of producers and to accomplish the purpose of the cotton program. But I hope that on second thought, they will realize the inevitability of adjustments and irritations in a project so vast as to involve a million contracts. Trying times are ahead of us in this cotton program. If, as has been reported, the production in Oklahoma is greatly in excess of the allotment, there will be widespread disaffection. Let us face that fact now and try to prevent it if possible. I am not sanguine over the prospects for the cotton future. The human equation is the most uncertain factor in the picture. The cotton farmers of Oklahoma and elsewhere should appreciate that there is no real distinction between individual prosperity and prosperity of the group. They should understand that if many individuals reject cooperation by overplanting, these individuals will not profit but will share in tremendous losses of the whole group. If they understand this, there is great hope for the cotton South.

I urge all of you, leaders among farmers in your respective communities, to return to your farms and talk frankly and earnestly with your neighbors. Those of us in Washington or in Stillwater cannot make this thing work. The farmers themselves can. The responsibility is theirs and they alone can achieve the beneficial objectives of this program. I repeat, we must choose. Shall cotton farmers work together in a coordinated plan to balance cotton production to the market realities or shall we permit greed, selfishness and short-sightedness to return us to the old era of cruel, cut-throat, competitive farming? That is the question facing the South today.

